

Summary

California retail regular-grade gasoline prices have turned back down since the late February peak, although they remain at seasonally high levels. As of March 18, the average California retail price for regular-grade gasoline fell 3 cents to \$4.12 over the past month. Retail diesel prices decreased even more, to \$4.21 per gallon.

California spot wholesale gasoline prices were \$3.03 on March 19, a decrease of 42 cents from a month ago and 44 cents lower than a year ago. Wholesale diesel prices fell 25 cents over the month to \$3.07, down 39 cents from a year ago.

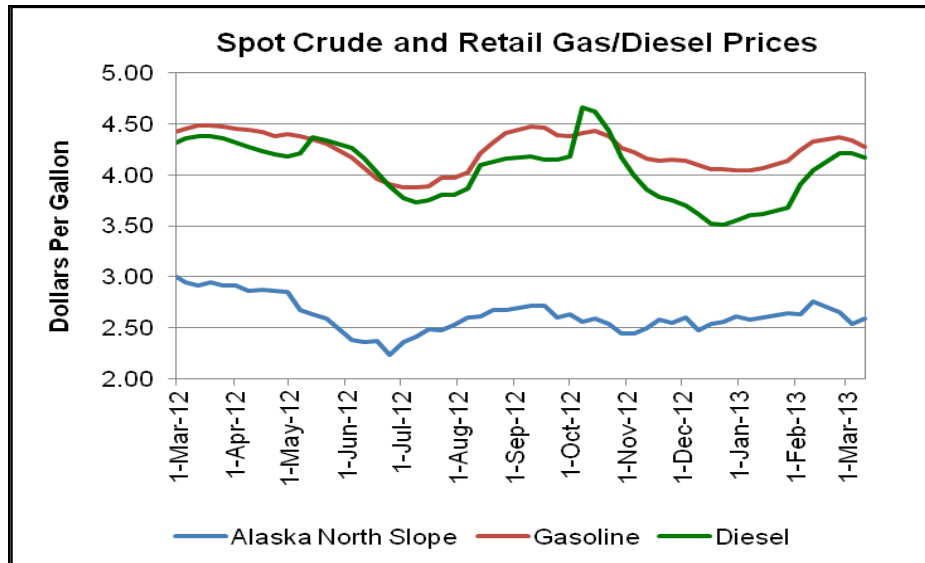
California-compliant gasoline production and inventories decreased by 3.2 percent and 0.1 percent in the past week, respectively. California-compliant diesel production and inventories increased by 3.1 percent and 2.8 percent in the past week, respectively. Refinery margins for diesel have been better than gasoline margins recently, contributing to rising diesel production and falling gasoline production.

United States crude oil prices have dropped over the past month along with other international benchmark oil prices. The price of Brent crude oil has dropped to \$112.21 per barrel. The price of West Texas Intermediate (WTI) has fallen to \$92.07 per barrel. As of March 11, the Alaska North Slope (ANS) crude oil price decreased to \$108.96, \$3.25 less than a month ago.

Comparisons of Diesel, Gasoline, and Crude Oil Price Changes

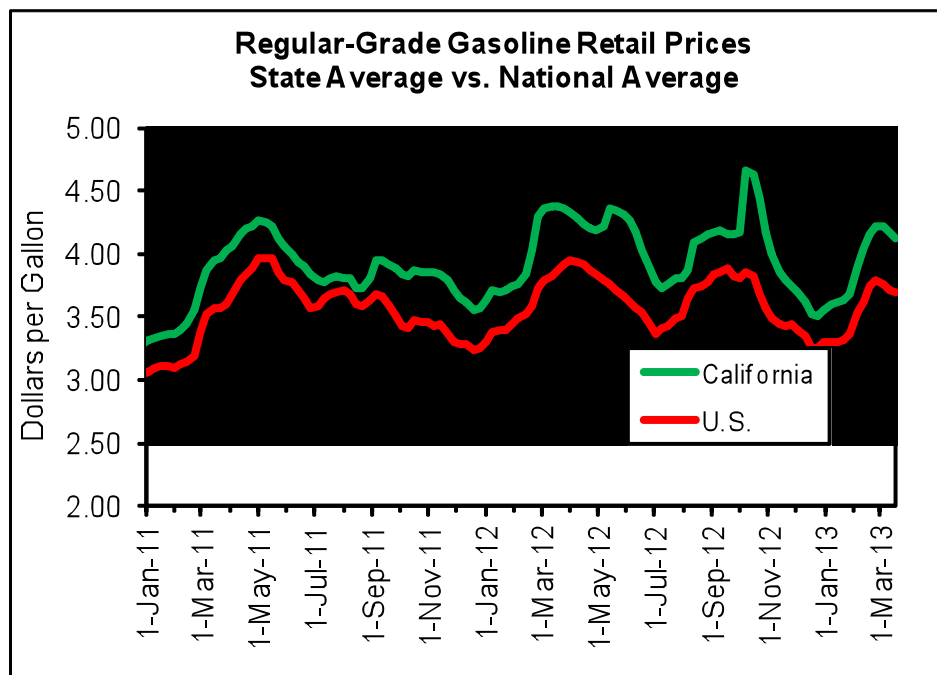
Gasoline and ANS prices have declined over the past month. Diesel prices rose in mid-February but have since begun to decline. As of March 11, ANS prices were \$2.59 per gallon, gasoline prices were \$4.28 per gallon, and diesel prices were \$4.17 per gallon.

Gasoline and ANS are 5 cents and 16 cents, per gallon lower, respectively, compared to February's *Petroleum Watch*. Diesel prices are 13 cents higher compared to February's *Petroleum Watch*.

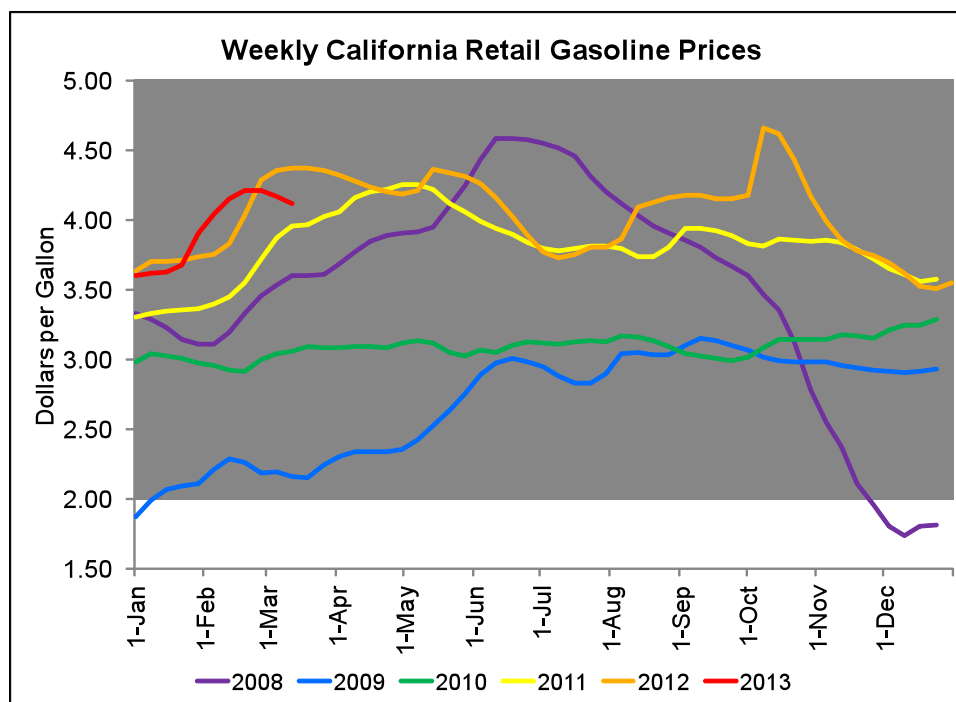


Retail Prices

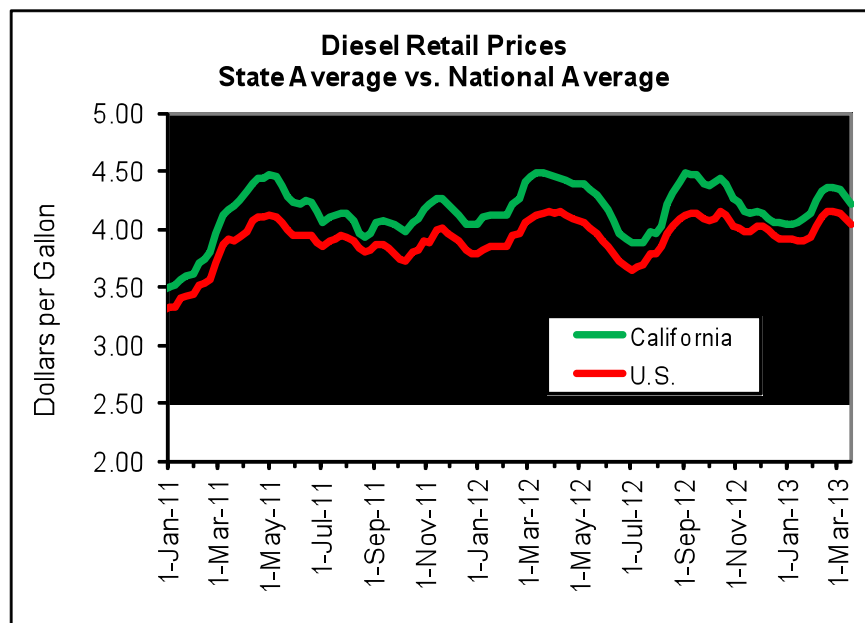
The average California **retail price for regular-grade gasoline** has fallen 9 cents over the past month since its late February peak price of \$4.21, to \$4.12 per gallon. In addition, average U.S. retail gasoline prices fell 5 cents from a month ago to \$3.70. Average U.S. gasoline prices are 31 cents higher than a year ago. The difference between California and U.S. retail gasoline prices increased from 40 cents to 42 cents over the past month. Both California and U.S. retail prices have followed wholesale prices downward. The recent decline is a welcome respite from the record seasonal high prices seen in February.



California retail gasoline prices have fallen back below the level of 2012. Nevertheless, 2013 prices remain higher than prices from any year prior to 2012, and it is worth remembering that 2012 prices were high because of the February fire at the BP refinery in Cherry Point, Washington.

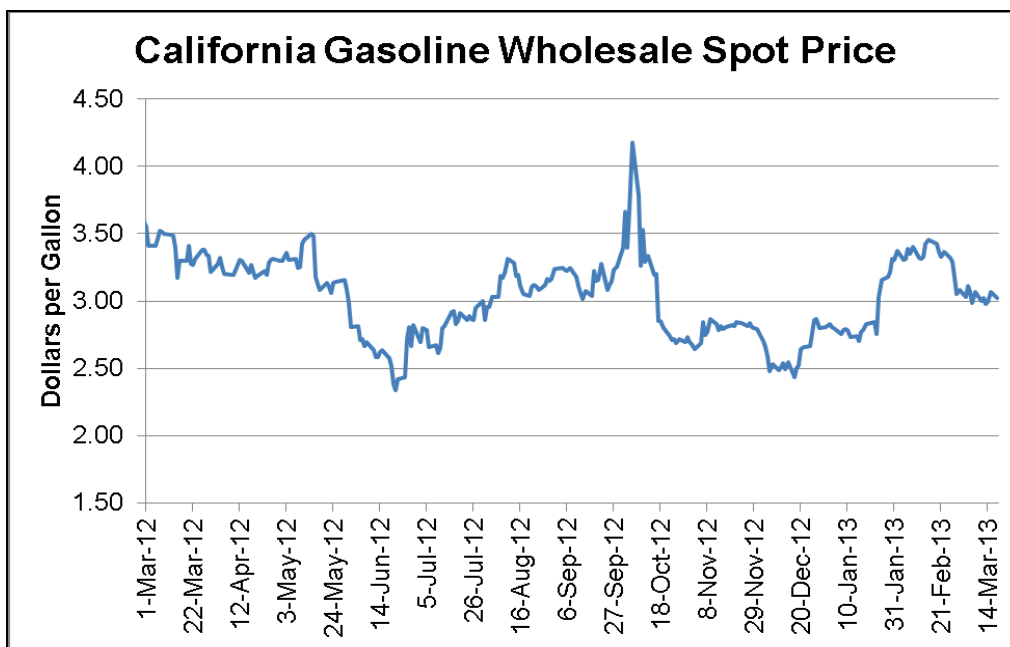


The average California **retail diesel price** fell 15 cents over the past month to \$4.21 per gallon. The average U.S. retail diesel price fell 11 cents over the past month to \$4.05 per gallon. As a result, the premium for California diesel over U.S. diesel prices fell from 20 cents to 17 cents over the past month, exactly reversing last month's increase. California diesel prices are 27 cents lower than a year ago, while U.S. diesel prices are 10 cents lower than a year ago. As has been remarked in months past, diesel prices continue to move more moderately than gasoline prices.



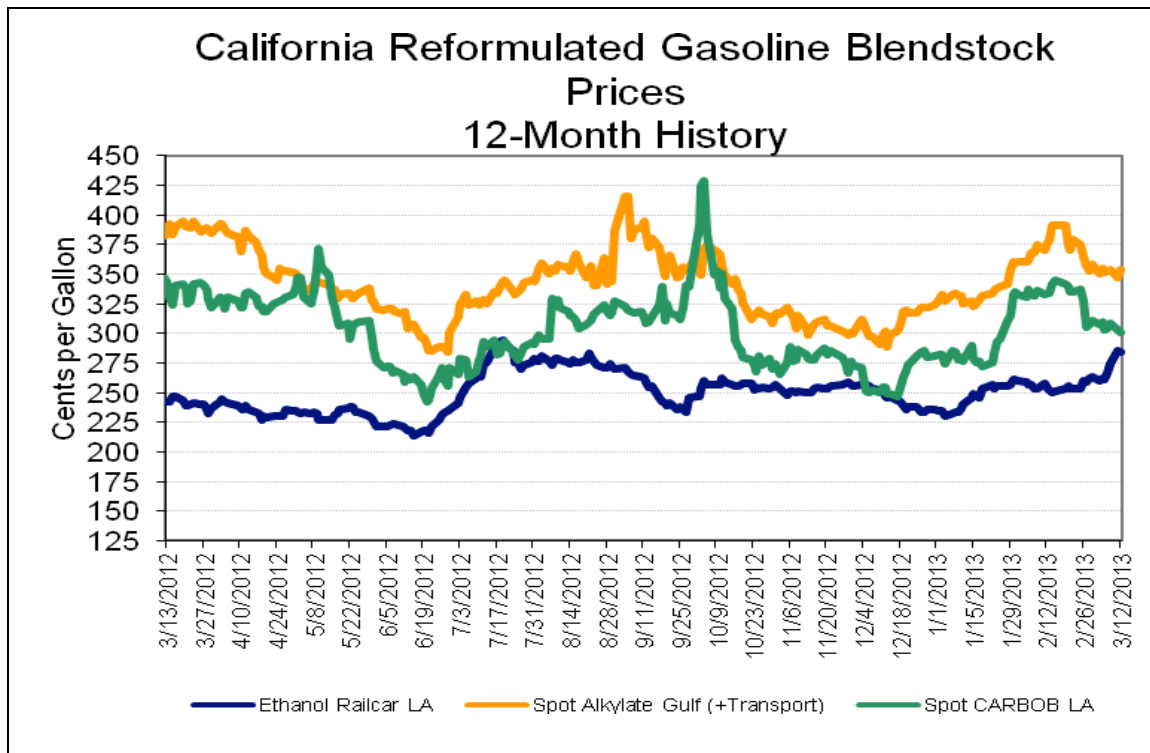
Wholesale Gasoline and Blendstock Prices on March 19, 2013

With the tight supply associated with the summer blend ramp-up and refinery turnaround season largely over, wholesale fuel prices in California are receding from their February highs, even if this drop has yet to fully materialize at the retail level. California spot wholesale gasoline prices for regular-grade reformulated blendstock for oxygenate blending (CARBOB) fell 42 cents in the past month to \$3.03 on March 19. Prices are down 44 cents from this time last year. Prices in New York are similarly down 42 cents over the month, a 19-cent decrease over the year.

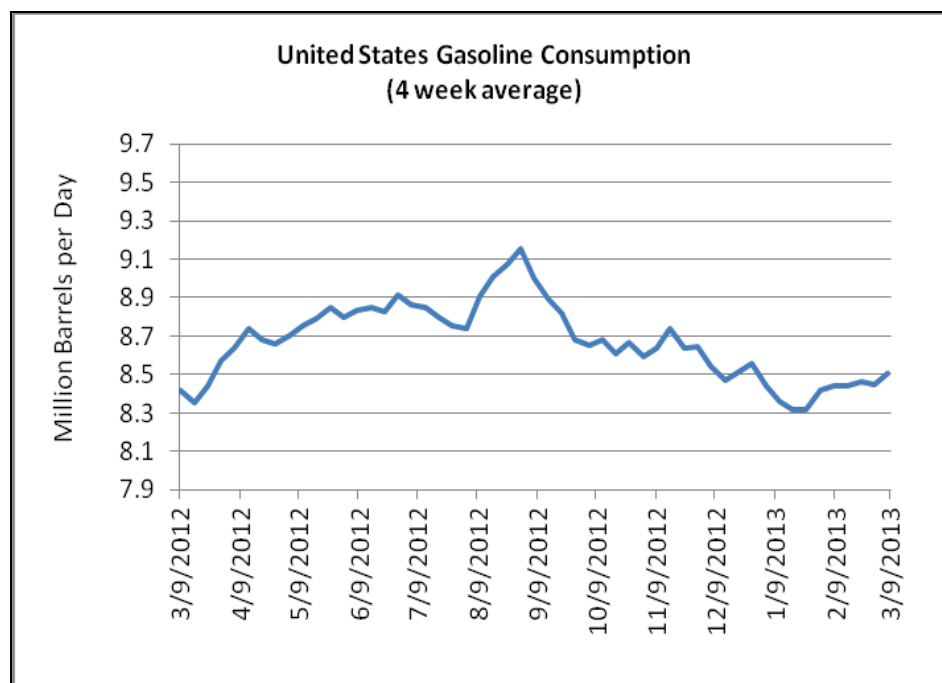


Wholesale diesel in California followed a similar trend as gasoline, falling 25 cents in the past month to \$3.07. Los Angeles spot prices are down 39 cents from this time last year. Prices in New York shed 20 cents in the past month to \$3.09, down 24 cents over the year.

The average representative estimated cost of **fuel ethanol** to California refiners and marketers rose 31 cents to \$2.84 per gallon as of March 12, 2013.¹

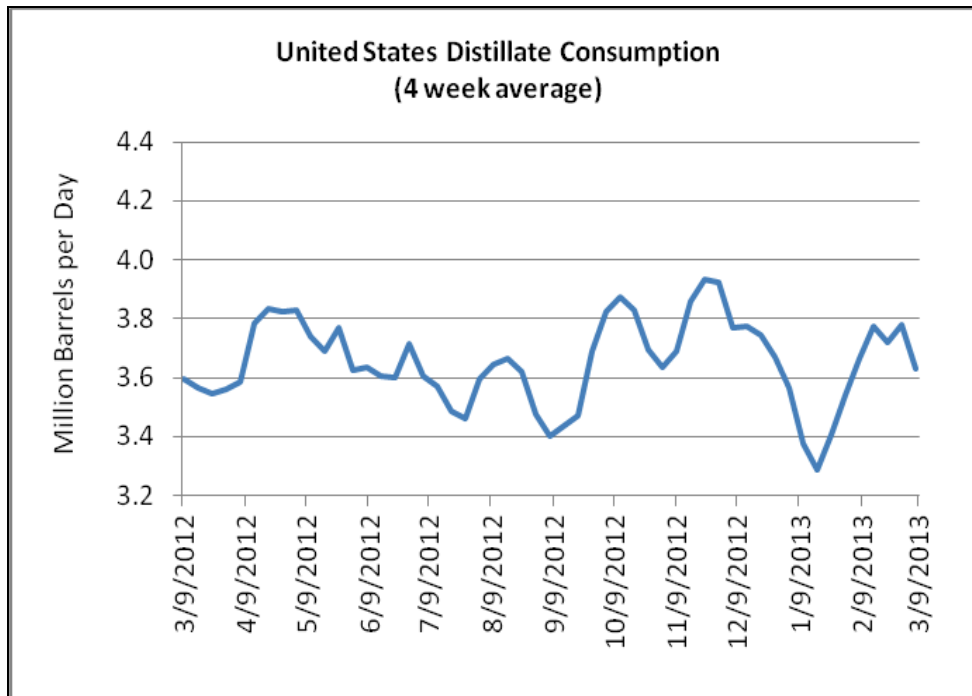


The EIA's weekly report for the week ending March 8 shows the four-week average for gasoline consumption at 8.5 million gallons, up 2.7 percent increase from last month and up 1.1 percent from this time last year.



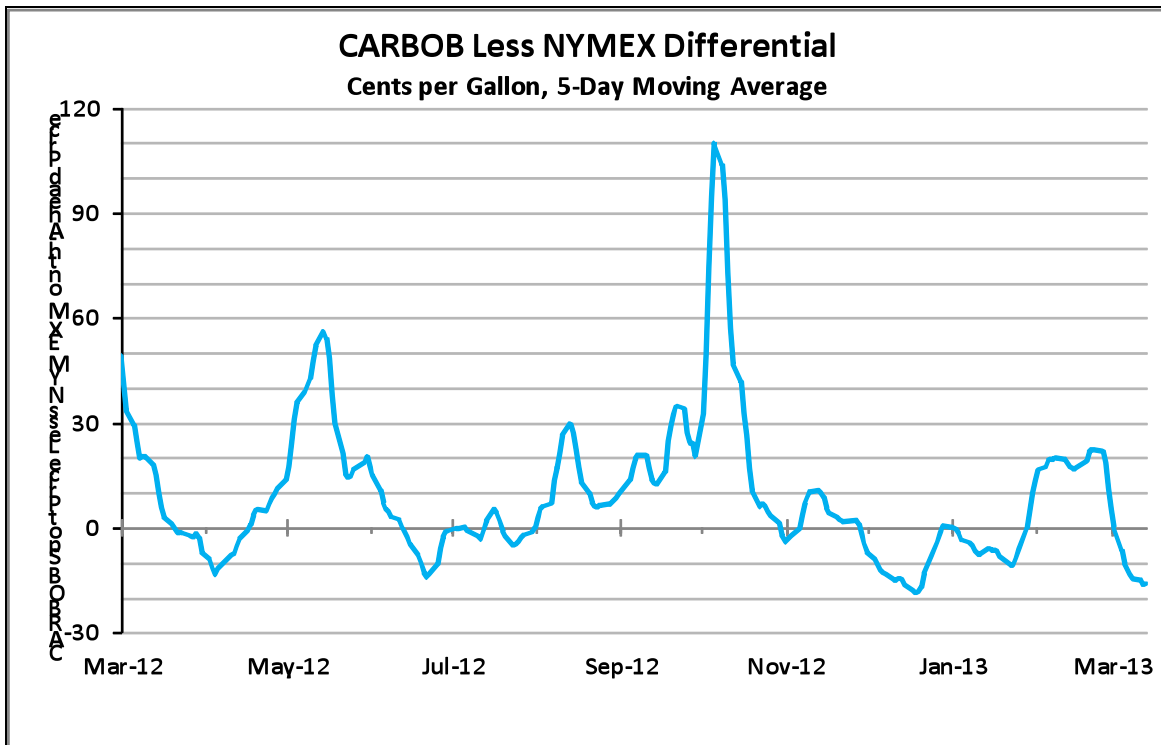
On the diesel side, EIA's weekly diesel consumption data shows a four-week average that has decreased slightly since increasing from very low December levels. The four-week average of 3.6

million barrels per day is the same as last month. Consumption is up 1.0 percent from this time last year.

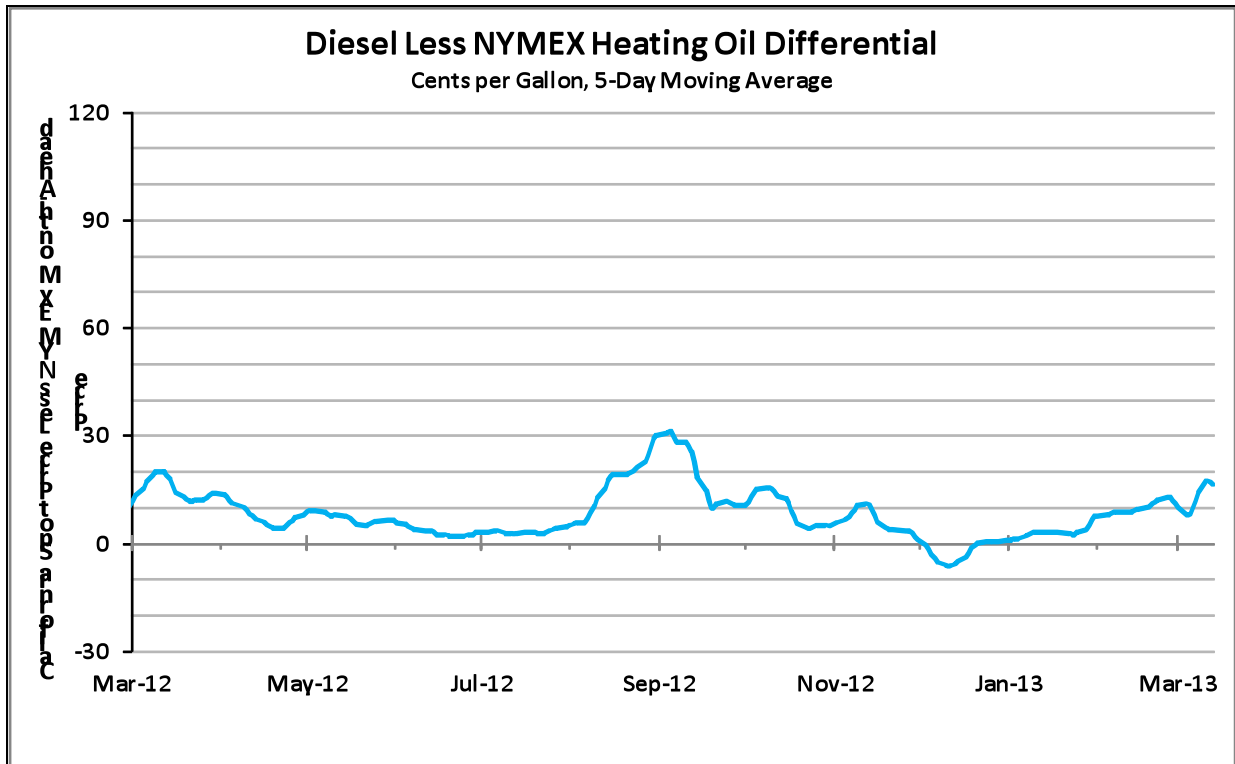


Futures-Spot Market Spread²

As of March 13, the spot market price for California gasoline was at a 16-cent discount to the New York Mercantile Exchange (NYMEX) one-month-ahead futures price, using five-day moving averages. The differential has dropped sharply since mid-February, moving down with CARBOB prices as they followed wholesale prices lower. California spot prices have been as much as 22 cents above the NYMEX benchmark in February, but moved sharply to a discount at the very end of the month. The transition to the more expensive summer blend is largely complete in California, and California gasoline supplies have become relatively more abundant and cheaper.

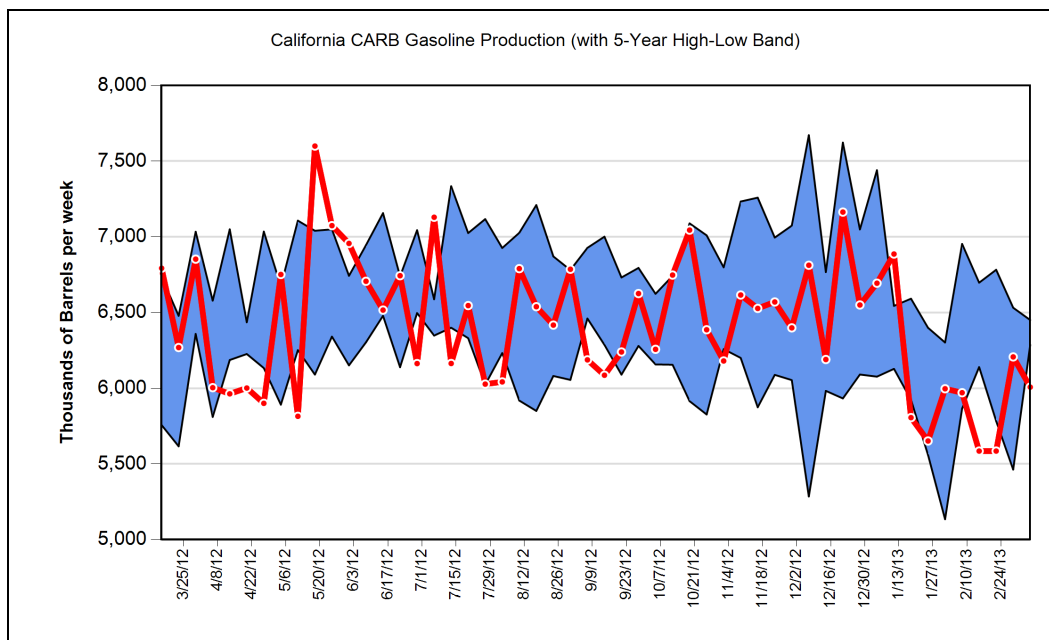


As of March 13, California spot diesel sold at a 16-cent premium to the NYMEX heating oil one-month-ahead futures price, using five-day moving averages. This is double the 8-cent average premium during the past year and stands in stark contrast to the above-mentioned trends in the gasoline differential. The differential has continued to move gradually higher since mid-December. Both California diesel and NYMEX futures have dropped sharply over the past month, with the futures price dropping a little faster, thus boosting the premium.

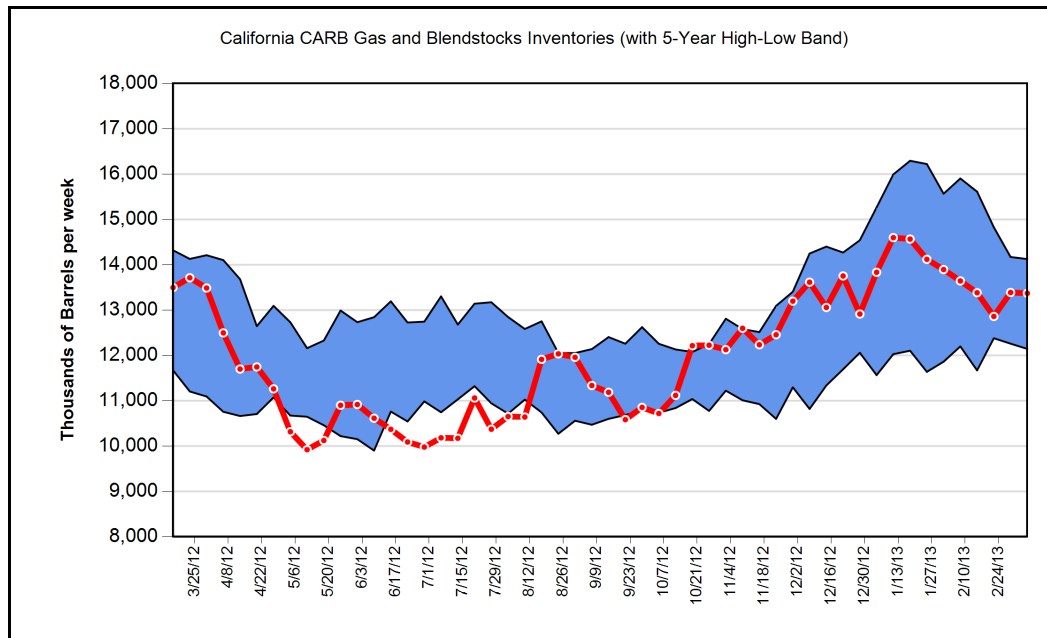


Refinery Production and Inventories

Reformulated gasoline production in California for the week ending March 8 decreased 3.2 percent from the previous week to 6.0 million barrels, falling below the bottom of the five-year range.³

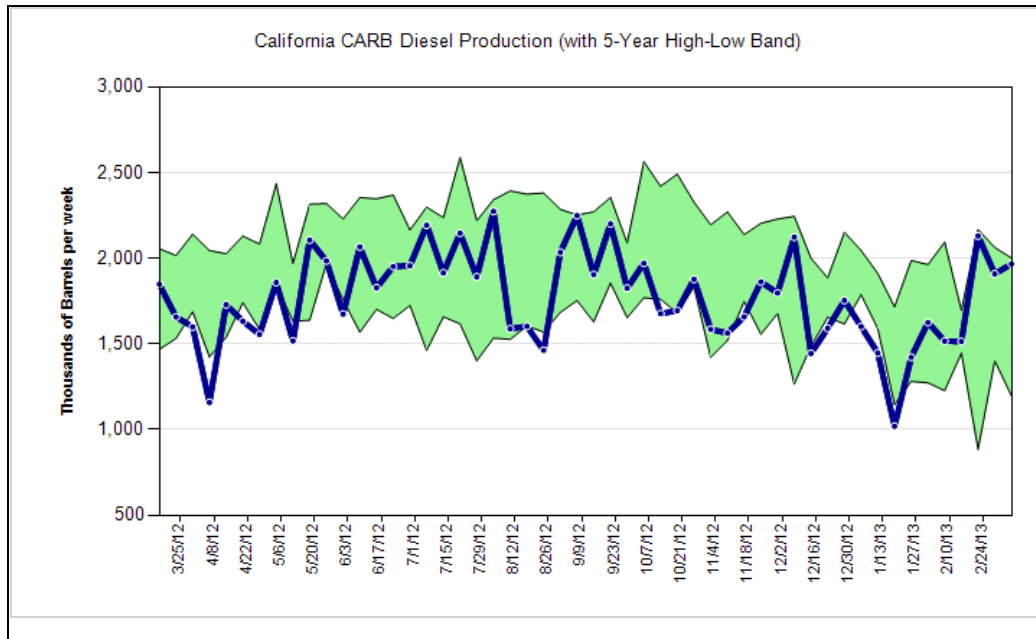


California **reformulated gasoline inventories** decreased 5.5 percent from the past week, while gasoline blendstock inventories increased 5.1 percent. California's combined inventories of reformulated gasoline and gasoline blendstocks decreased 0.1 percent from the previous week to 13.4 million barrels, remaining in the middle of the five-year range.

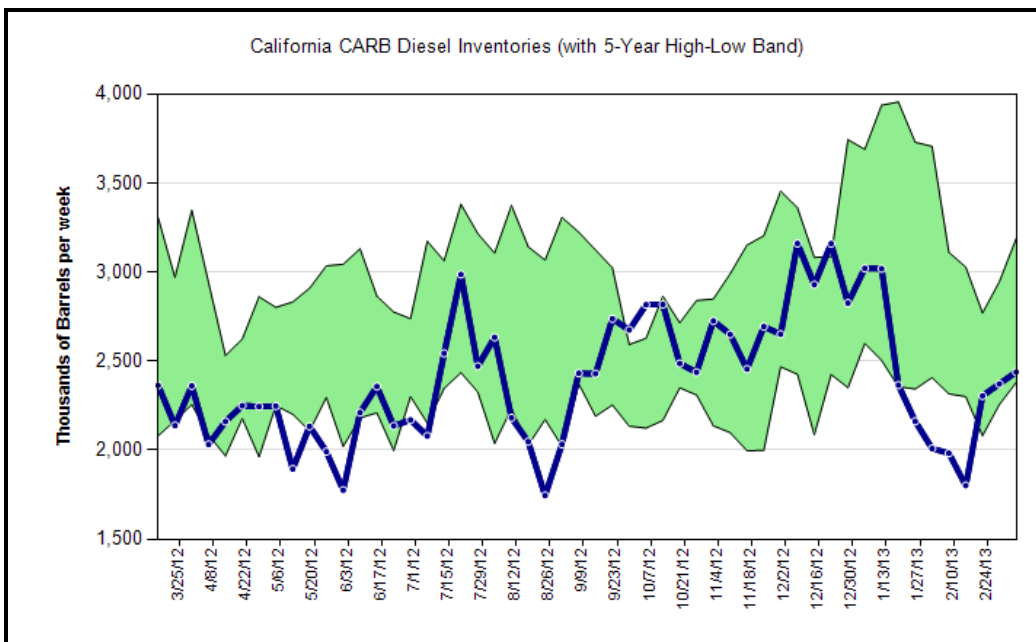


U.S. distillate inventories as of March 8 fell to 224.3 million barrels, 6.0 million barrels less than a month ago. On the West and Gulf coasts, gasoline inventories have fallen 1.6 and 4.5 million barrels, respectively, from a month ago. However, on the East Coast inventories have increased by 0.4 million barrels.

California-compliant **ultra-low-sulfur diesel fuel (CARB diesel) production**⁴ was 2.0 million barrels during the week ending March 8, an increase of 3.1 percent from the previous week, falling to the bottom of the five-year range.



Inventories of CARB diesel in California increased 2.8 percent from the previous week to 2.4 million barrels, rising to the top of the five-year range. Inventories are 2.5 percent higher than this time last year.



On the West Coast, distillate inventories decreased by 0.2 million barrels from a month ago and are 1.9 million barrels lower than this time last year. U.S. distillate inventories as of March 8 fell to 120.4 million barrels, 3.2 million barrels less than a month ago. Distillate inventories declined the most on the Gulf Coast, where they fell by 4.7 million barrels.

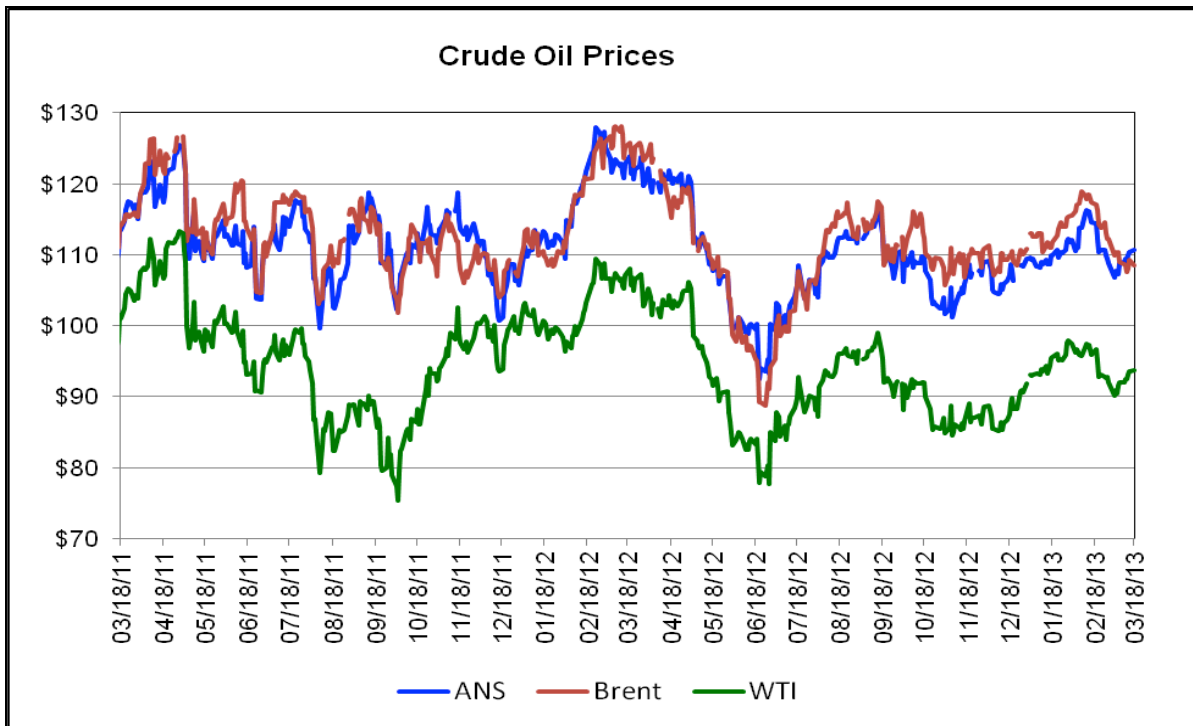
Crude Oil Prices and Associated Factors

The West Coast price for ANS crude oil, a refinery feedstock for California, decreased to \$110.64 as of March 18. The ANS crude price has fallen by \$1.57 since the previous *Petroleum Watch* and is \$13.20 less than a year ago.⁵ Over the past month, continuously increasing crude oil inventory levels have caused U.S. oil prices to fall.⁶

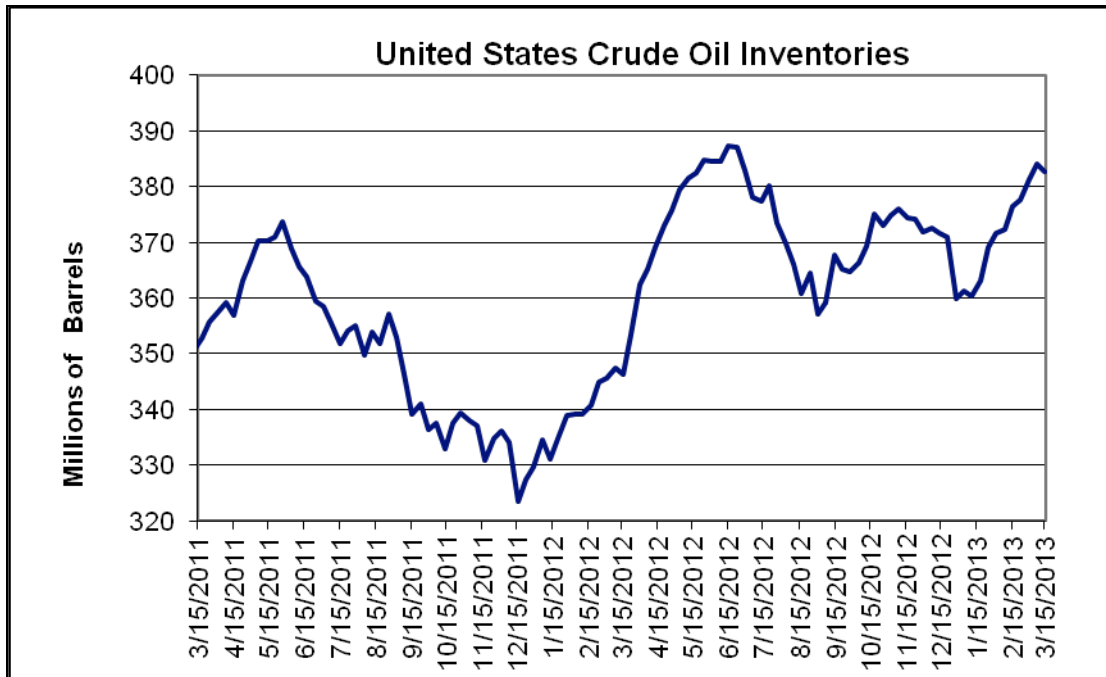
Recent Trends in Crude Oil Prices

	Feb 13	Mar 13	Change From Previous Month	Directional Contributing Factor		
				Upward	Downward	Unchanged
ANS Crude Oil Price (U.S. Dollars/Barrel)	\$112.21	\$110.64	Down 1.4 %			
Europe Brent Crude Oil Price (U.S. Dollars/Barrel)	\$116.23	\$108.54	Down 6.6%			
West Texas Intermediate, Cushing Oil Price (U.S. Dollars/Barrel)	\$94.92	\$93.71	Down 1.3%			
U.S. Crude Oil Inventories (MM Barrels)	376.4	382.6	Up 1.3%		✓	
S&P 500	1512	1,552	Up 2.6%	✓		
EURO STOXX 50 Price	2,634	2,711	Up 2.9%	✓		
Total Dollar Index	82	83	Up 1%		✓	
Exchange rate: Dollars per Euro	1.3	1.3	Unchanged			✓
European Debt Problems					✓	
Disruption in Oil Exports						✓

The spread between West Texas Intermediate crude oil prices and Brent crude oil contracts has decreased over the past month, averaging \$18.35 since the last *Petroleum Watch*. As of March 18, the spread dropped to \$14.83. West Texas Intermediate spot prices closed at \$93.71 per barrel as of March 18, \$16.93 less than ANS crude oil.



U.S. crude oil inventories have continued to increase over the past month. As of March 15, U.S. commercial crude oil inventories increased by 6.3 million barrels from the previous month to 382.6 million barrels. Crude oil stocks are 36.4 million barrels higher than a year ago and 41 million barrels more than the five-year average for this date. As of March 15, California crude oil stocks fell by 2 percent from the previous week to 16.2 million barrels and are 7.1 percent higher than a year ago.



¹ Ethanol railcar prices are from *Platts Oilgram* and are average prices for prompt Southern California shipments minus a 45¢/gal federal excise tax credit for 2009 through 2011 prices and a 51¢/gal federal excise tax credit for prices prior to 2009. The federal excise tax credit expired at the end of 2011. California alkylate prices are also calculated from *Platts Oilgram* and include a 20¢/gal transportation and distribution cost from Gulf Coast to California. Spot wholesale prices for regular-grade California reformulated gasoline blendstock for oxygenate blending (CARBOB) are from Oil Price Information Service.

² A higher spread between the state's spot fuel prices and the New York Mercantile Exchange (NYMEX) futures price indicates supplies are tighter in California, and a lower spread indicates the market is relatively well-supplied compared to the rest of the country. The NYMEX futures price reflects the national market, while California Reformulated Gasoline Blendstock for Oxygenate Blending (CARBOB) is a gasoline blend unique to California and is usually sold at a premium to the NYMEX.

³ California refinery production and inventory information is from the Petroleum Industry Information Reporting Act (PIIRA) database maintained by the California Energy Commission.

⁴ Staff has discontinued the reporting of combined CARB and EPA diesel production and inventories and will report only CARB diesel as of December 2009. EPA diesel is primarily for export from California.

⁵ Alaska North Slope (ANS) crude oil prices are from *The Wall Street Journal*. Brent and West Texas Intermediate (WTI) crude oil prices are from the Energy Information Administration.

⁶ ANS crude oil price changes are influenced by inventory levels, refinery capacity, domestic and international economic conditions, currency exchange rates, perceived risks to global supply such as unrest in the Middle East, and near-term price trends as indicated by the futures market for crude oil.